

Message Text

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C O N F I D E N T I A L BUENOS AIRES 6805

EXDIS

E.O. 11652: GDS

TAGS: BBAK, EINV, PGOV, AR

SUBJECT: ATTEMPTED BLACKMAIL AGAINST XEROX OF ARGENTINA

1. ON SEP 6 I RECEIVED A VISIT FROM THE WIFE OF LOU CRIEGER, PRESIDENT OF XEROX OF ARGENTINA. SHE IS A MEMBER OF ONE OF THE OLD AND RESPECTED FAMILIES OF ARGENTINA. THE CRIEGERs ARE TEMPORARILY LIVING IN MONTEVIDEO. MRS CRIEGER BROUGHT ME A TAPE CASSETTE CONTAINING AN ORAL LETTER TO ME FROM HER HUSBAND IN WHICH HE GAVE DETAILS OF EFFORTS TO BLACKMAIL XEROX OF ARGENTINA INTO PAYING A LARGE SUM FOR A "FAVORABLE SETTLEMENT" OF A COURT CASE PENDING AGAINST XEROX.

2. THE COURT CASE, WHICH CHARGES XEROX WITH "MONOPOLY PRACTICES" WAS FIRST BROUGHT IN 1971. HOWEVER, IT HAS RECENTLY REACHED A CRITICAL STAGE UNDER A JUDGE NEWLY APPOINTED BY THE PRESENT ADMINISTRATION. SOME WEEKS AGO THE LAWYER FOR ANOTHER US-OWNED COMPANY APPROACHED MR CRIEGER AND INFORMED HIM THAT, FOR A FIVE-FIGURE AMOUNT IN DOLLARS, HE COULD GUARANTEE FAVORABLE OUTCOME OF CASE. AFTER CONSULTING HIS HOME OFFICE, CRIEGER REJECTED THIS SUGGESTION. SEVERAL WEEKS LATER, ANOTHER INTERMEDIARY WHO PURPORTED TO BE A DIRECT REPRESENTATIVE OF THE JUDGE SITTING IN THE CASE, OFFERED XEROX A "SECOND CHANCE" BUT INDICATED THAT SINCE THE COMPANY HAD BEEN SO UNWISE AS TO TURN DOWN THE FIRST OFFER, THE PRICE WOULD BE DOUBLE. THE INTERMEDIARY OUTLINED SEVERAL THINGS THAT THE JUDGE COULD DO IF THE OFFER WAS NOT ACCEPTED, I.E., A) CAUSE "PREVENTIVE ARREST OF CRIEGER AND OTHER DIRECTORS OF XEROX; B) INSTALL GOVERNMENT TRUSTEE (INTERVENTOR);

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OR C) CANCEL THE COMPANY'S LICENSE TO DO BUSINESS. THIS APPROACH

WAS ALSO REJECTED.

3. CRIEGER'S MESSAGE TO ME STATED CLEARLY THAT XEROX WAS NOT PLANNING TO PAY BLACKMAIL UNDER ANY CIRCUMSTANCES, EVEN INCLUDING SEIZURE OR CLOSING OF THE ARGENTINE SUBSIDIARY. HE FURTHER EMPHASIZED THAT HE WAS NOT RPT NOT, ASKING THE EMBASSY OR STATE DEPARTMENT FOR ANY ACTION WHATEVER ON ANY ASPECT OF THE CASE, BUT WAS SIMPLY MEETING WHAT HE FELT TO BE HIS DUTY TO KEEP ME INFORMED.

4. WE HAVE HEARD THAT THIS IS BY NO MEANS AN UNCOMMON PRACTICE NOWADAYS IN ARGENTINA. FOR ME, ONE OF THE MOST DISTURBING ASPECTS OF THE CASE IS THAT THE FIRST APPROACH TO XEROX WAS MADE BY THE LAWYER FOR PEPSI COLA OF ARGENTINA, WHO CRIEGER INITIALLY AGREED TO TALK TO AT THE DIRECT REQUEST OF THE PRESIDENT OF PEPSI COLA OF ARGENTINA, HECTOR CARAM-ANDRUET, AN ARGENTINE CITIZEN WHO WAS RECENTLY ELECTED PRESIDENT OF THE AMERICAN CHAMBER OF COMMERCE IN ARGENTINA. I DO NOT WISH TO CONDEMN CARAM-ANDRUET OUT OF HAND AS AN ACCESSORY TO BLACKMAIL SINCE THERE IS A POSSIBILITY THAT HE CONSIDERS THIS A NORMAL WAY OF SETTLING A CASE OUT OF COURT IN ARGENTINA AND IS SIMPLY TRYING TO BE HELPFUL.

5. I PLAN TO TAKE NO DIRECT ACTION OF ANY KIND AT THIS STAGE. I SHALL, HOWEVER, KEEP A VERY CLOSE EYE ON CARAM-ANDRUET AND, UNTIL THIS IS SETTLED ONE WAY OR ANOTHER, THE EMBASSY'S RELATIONS WITH HIM WILL NOT GO BEYOND COOL CORRECTNESS.

6. I AM HAVING CRIEGER'S MESSAGE TRANSCRIBED AND WILL FORWARD IT ASAP. I AM ALSO SUGGESTING TO CREIGER THAT, WHEN IN WASHINGTON, HE CALL AT THE DEPARTMENT OF STATE AND DISCUSS THE MATTER WITH ORTIZ. CRIEGER DOES NOT PLAN TO RETURN TO ARGENTINA UNDER INSTRUCTIONS FROM XEROX BECAUSE OF THE BAD SECURITY SITUATION IN ARGENTINA.
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